

Message Text

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ACTION IO-10

INFO OCT-01 EA-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-02 NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

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FOR HICOM AND STATUS LNO

STATE PASS INTERIOR FOR OSN AND DOTA

E.O. 11652: N/A

TAGS: TQ, JA, US

SUBJECT: MICRONESIA CLAIMS AGREEMENT

SJMMARY: EMBOFF DISCUSSED WITH FONOFF REP AND WITH TAIYO KOBE BANK QUESTIONS RELATED TO IMPLEMENTATION OF AGREEMENT. FONOFF BELIEVES AGREEMENT ONINTEREST USE CAN BE EFFECTED BY EXCHANGE OF LETTERS, AND PROPOSED PROCEDURE TO BE FOLLOWED. TAIYO KOBE BANK WILL NEED LETTER FROM TTPI IN EACH CASE OF TRANSFER OF FUNDS FROM INTEREST TO SPECIAL ACCOUNT. GOJ IS CONCERNED OVER SLOW PACE OF PROCUREMENT AND REQUESTS INFO R FUTURE TTPI PROCUREMENT PLANS. SENIOR FONOFF OFFICIALS UNWILLING TO EXTEND PROCUREMENT PERIOD UNTIL OCTOBER 1976 BUT WILL, IF ESSENTIAL, AGREE TO SHORTER EXTENSION. REQUEST HICOM VIEWS ON THESE MATTERS. END SUMMARY.

1. ON JANUARY 9 EMBOFF MET WITH SASAKI, DEPUTY DIRECTOR, SECOND ECONOMIC COOPERATION DIVISION, FONOFF, TO RVIEW IMPLEMENTATION OF CLAIMS AGREEMENT. EMBOFF ALSO DISCUSSED INTEREST USE QUESTION WITH OFFICIAL OF TAIYO KOBE BANK.

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2. RE USE OF INTEREST ON SPECIAL ACCOUNT: A) SASAKI SAID FONOFF'S THINKING (NOT YET CLEARED WITH OTHER MINISTRIES) IS THAT USG AND GOJ COULD AGREE THROUGH EXCHANGE OF LETTERS THAT INTEREST WOULD BE USED TO PURCHASE ADDITIONAL QUANTITIES OF ITEMS ENUMERATED IN LIST OF PRODUCTS AND SERVICES. THIS AGREEMENT WOULD BE GENERAL IN NATURE AND NOT SPECIFY QUANTITIES OR WHICH PRODUCTS AND SERVICES WOULD BE PROCURED.

B) SUBSEQUENTLY, WHEN TTPI WISHES TO SUBMIT TO FONOFF FOR CONFIRMATION ANY CONTRACT INVOLVING AMOUNT OF MONEY GREATER THAN THE ESTIMATED AMOUNT FOR AN ITEM ON THE LIST (OR THE UNEXPENDED BALANCE OF THE ESTIMATED AMOUNT), TTPI WOULD SUBMIT A LETTER WITH THE CONTRACT, EXPLAINING THAT THE CONTRACTED AMOUNT EXCEEDS THE ESTIMATED AMOUNT (OR BALANCE OF THE ESTIMATED AMOUNT), AND THAT TTPI PROPOSES TO USE FUNDS FROM THE INTEREST ACCOUNT TO PAY THE EXCESS. THE AMOUNT OF INTEREST TO BE USED SHOULD BE SPECIFIED IN THIS LETTER.

C) ADDITIONALLY, TTPI SHOULD INSERT IN THE CONTRACT'S SPECIAL PROVISION NUMBER 6, AS APPROPRIATE, LANGUAGE TO EFFECT QTE INASMUCH AS THE TOTAL CONTRACTED AMOUNT AS SPECIFIED HEREIN (X YEN) EXCEEDS THE ESTIMATED AMOUNT OF ITEM 4-A IN THE LIST OF PRODUCTS AND SERVICES TO BE PROCURED (Y YEN) (THE UNEXPENDED BALANCE OF ITEM 4-A IN THE LIST OF PRODUCTS AND SERVICES TO BE PROCURED (Z YEN)) BY THE AMOUNT OF Q YEN, THE U.S. ASSISTANT DISBURSING OFFICER WILL REQUEST THAT TAIYO KOBE BANK TO TRANSFER Q YEN FROM THE INTEREST ACCOUNT TO THE SPECIAL ACCOUNT TO PERMIT PAYMENT AS STIPULATED IN THIS SPECIAL PROVISION 6 AND IN ACCORDANCE WITH AGREEMENTS REACHED BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF JAPAN. UNQTE.

D) IN SEPARATE CONVERSATION WITH EMBOFF JANUARY 9, 5-IYO KOBE BANK OFFICIAL (KOMETANI, DEPUTY MANAGER, BUSINESS DEPT., TOKYO MAIN OFFICE) EXPLAINED THAT IN ORDER TO TRANSFER FUNDS FROM INTEREST ACCOUNT TO SPECIAL ACCOUNT BANK WOULD NEED IN EACH INSTANCE, LETTER FROM TTPI (DISTINCT FROM LETTER TO FONOFF TO ACCOMPANY CONTRACT DESCRIBED PARA 2B ABOVE) TO BANK GIVING CONTRACT NUMBER, TOTAL CONTRACT AMOUNT, AND AMOUNT

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TO BE TRANSFERRED FROM INTEREST ACCOUNT. BANK WOULD TRANSFER REQUESTED AMOUNT AND HONOR TTPI CHECK DRAWN ON SPECIAL ACCOUNT FOR TOTAL CONTRACT AMOUNT, IN USUAL WAY, UPON RECEIPT OF NECESSARY DOCUMENTS EARLIER AGREED TO.

3. STATUS OF PROCUREMENT. SASAKI SAID THAT TOTAL VALUE OF CONFIRMED CONTRACTS TO DATE AMOUNTS TO ONLY 8 PER-

CENT OF TOTAL JAPANESE CONTRIBUTION UNDER AGREEMENT (1,800 MILLION YEN). THIS IS A MATTER OF CONCERN TO GOJ, IN PARTICULAR TO FINANCE MINISTRY. GOJ REQUESTS TTPI EXPEDITE PROCUREMENT TO MAXIMUM EXTENT POSSIBLE. FONOFF WOULD ALSO APPRIATE ANY INFO FROM TTPI WHICH WOULD BE USEFUL IN EXPLAINING TO OTHER MINISTRIES WHY PROCUREMENT TO DATE HAS NOT PROGRESS FURTHER. FURTHER, FONOFF REQUESTS TTPI PROVIDE QTE PROCUREMENT SCHEDULE UNQTE EXPLAINING TTPI INTENTIONS RE TIMING AND MAGNITUDE OF REMAINING PROCUREMENT. A ROUGHT SCHEDULE WOULD BE ACCEPTABLE TO FNOFF, BUT FONOFF WOULD APPRIAT AS MUCH INFO AS POSSIBLE.

4. EXTENSION OF PROCUREMENT PERIOD. IN DISCUSSIONS WITH SASAKI, SENIOR FONOFF OFFICIALS HAVE MADE CLEAR THAT IT WILL BE QTE QUITE DIFFICULT UNQTE (READ IMPOSSIBLE) TO GRANT AS LENGTHY AN EXTENSION OF PROCUREMENT PERIOD AS TTPI HAS INDICATED IT DESIRES (I.E., UNTIL OCTOBER 1976). DIFFICULTY STEMS FROM POLITICAL CONSIDERATIONS, IN PARTICULAR FACT THAT PROCUREMENT PERIOD IS STIPULATED IN USG-GOJ AGREEMENT WHICH WAS SUBMITTED TO DIET FOR RATIFICATION. GOJ CANNOT LIGHTLY UNDERTAKE TO CHANGE DOCUMENT TO WHICH DIET AGREEMENT WAS OBTAINED. THUS IF IT IS ESSENTIAL TO EXTEND PROCUREMENT PERIOD, FONOFF REQUESTS THAT PERIOD OF EXTENSION BE AS SHORT AS POSSIBLE AND TERMINATE WELL PRIOR TO OCTOBER 1976. IN MEANTIME, FONOFF REQUESTS TTPI PROCEED WITH PROCUREMENT AS EXPEDITIOUSLY AS POSSIBLE.

4. ACTION REQUESTED: A) HICOM ADVISE WHETHER PROCEDURE RE INTEREST USE OUTLINED PARA 2 ABOVE ACCEPTABLE. B) HICOM PROVIDE INFO RE STATUS OF PROCUREMENT REQUESTED PARA 2 ABOVE. C) HICOM ADVISE RE MINIMUM FEASIBLE
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PERIOD OF EXTENSION OF PROCUREMENT PERIOD, TOGETHER WITH INFO EMBASSY COULD USE IN DEFENDING OUR REQUEST TO FNOFF.
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